

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, MARCH 8, 2016

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. URS-2015-00632

ROANOKE GAS COMPANY,

Defendant

ORDER OF SETTLEMENT

The federal pipeline safety statutes found at 49 U.S.C. § 60101 *et seq.*, formerly the Natural Gas Pipeline Safety Act, require the Secretary of Transportation ("Secretary") to establish minimum federal safety standards for the transportation of gas and pipeline facilities. The Secretary is further authorized to delegate to an appropriate state agency the authority to prescribe safety standards and enforce compliance with such standards over gas pipeline facilities used for intrastate transportation.

The State Corporation Commission ("Commission") has been designated as the appropriate state agency for the Commonwealth of Virginia to prescribe and enforce compliance with standards for gas pipeline facilities used for intrastate transportation. In Case No. PUE-1989-00052, the Commission adopted Parts 191, 192, 193, and 199 of Title 49 of the Code of Federal Regulations to serve as minimum gas pipeline safety standards ("Safety Standards") in Virginia.<sup>1</sup> The Commission is authorized to enforce the Safety Standards for natural gas

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<sup>1</sup> *Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte, In the matter of adopting gas pipeline safety standards and reporting procedures for public service corporations providing gas service under Commission jurisdiction through transmission and distribution facilities located and operated within the Commonwealth of Virginia and granting other authorizations pertaining to the Gas Pipeline Safety Program, Case No. PUE-1989-00052, 1989 S.C.C. Ann. Rept. 312, Order Vacating Previous Order and Adopting Standard Regulations and Procedures Pertaining to Gas Pipeline Safety in Virginia (July 6, 1989).*

facilities under § 56-257.2 B of the Code of Virginia ("Code"), which allows the Commission to impose the fines and penalties authorized therein.

The Commission's Division of Utility and Railroad Safety ("Division") is charged with the investigation of each jurisdictional gas company's compliance with the Safety Standards; has conducted various inspections of records, construction, operation, and maintenance activities involving Roanoke Gas Company ("RGC or Company"), the Defendant, and alleges that:

- (1) The Company is a person within the meaning of § 56-257.2 B of the Code.
- (2) The Company violated the Commission's Safety Standards by the following conduct:
  - (a) 49 C.F.R. § 192.273 (b) - Failure of the Company to make a joint in accordance with written procedures.
  - (b) 49 C.F.R. § 192.353 (a) - Failure of the Company to install meter protection in a location where vehicular damage may be anticipated.
  - (c) 49 C.F.R. § 192.383 (b) - Failure of the Company to install an excess flow valve on a new service line feeding a single family residence.
  - (d) 49 C.F.R. § 192.479 (a) - Failure on three occasions of the Company to clean and coat a pipeline exposed to the atmosphere with a material suitable for the prevention of atmospheric corrosion.
  - (e) 49 C.F.R. § 192.491 (c) - Failure on two occasions of the Company to maintain a record of required atmospheric corrosion inspections in sufficient detail to demonstrate the adequacy of corrosion control measures.
  - (f) 49 C.F.R. § 192.605 (a) - Failure of the Company to follow its Operations and Maintenance Manual, Chapter 1, Section B.3.(2), by not grounding a squeeze off tool.
  - (g) 49 C.F.R. § 192.605 (a) - Failure of the Company to follow its Operations and Maintenance Manual, Chapter 1, Section III. B.4, by not inspecting a fire extinguisher at least once a year.
  - (h) 49 C.F.R. § 192.605 (a) - Failure of the Company to follow its Operations and Maintenance Manual, Chapter 4, Section X, A.1, developed to comply with § 192.479 (a), by not cleaning and coating each pipeline or portion of pipeline that is exposed to the atmosphere.
  - (i) 49 C.F.R. § 192.605 (a) - Failure of the Company to have adequate procedures, developed for the testing of pipelines required by 49 C.F.R. § 192.503 (c), by not including provisions for maximum hoop stress limitations for various testing mediums.

- (j) 49 C.F.R. § 192.605 (a) - Failure of the Company to have adequate procedures, developed to comply with 49 C.F.R. § 192.479 (c), by not including provisions for when the Company does not need to protect from atmospheric corrosion, where it has been proven corrosion will only be a light surface oxide, or will not affect safe operation before next scheduled inspection.
- (k) 49 C.F.R. § 192.605 (a) - Failure of the Company to have an adequate written procedure for the prevention of accidental ignition where the presence of gas constitutes a hazard of fire or explosion.
- (l) 49 C.F.R. § 192.605 (a) - Failure of the Company to have an adequate written procedure which details a method to prevent pipe slippage during butt fusion joining of pipes.
- (m) 49 C.F.R. § 192.605 (a) - Failure of the Company to have an adequate written procedure for barholing by failing to include measures to minimize damage to its pipelines by offsetting barholes.
- (n) 49 C.F.R. § 192.605 (b) (9) - Failure of the Company to have an adequate written procedure for taking precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapor or gas by not requiring continuous monitoring of oxygen levels.
- (o) 49 C.F.R. § 192.707 (a) - Failure on five occasions of the Company to maintain line markers over buried transmission lines to reduce the possibility of damage or interference.
- (p) 49 C.F.R. § 192.709 (c) - Failure on five occasions of the Company to maintain adequate transmission pipeline leakage surveys and associated follow-up records for at least five years or until the next survey, whichever is longer.
- (q) 49 C.F.R. § 192.709 (c) - Failure on ten occasions of the Company to maintain adequate transmission pipeline patrol and associated follow-up records for at least five years or until the next patrol, whichever is longer.
- (r) 49 C.F.R. § 192.725 (a) - Failure of the Company to pressure test a section of pipe before reinstating it into service.
- (s) 49 C.F.R. § 192.751 (a) - Failure on two occasions of the Company to minimize the danger of accidental ignition of gas.
- (t) 49 C.F.R. § 192.751 (a) - Failure of the Company to prevent accidental ignition by electric arcing while renewing a steel service line.
- (u) 49 C.F.R. § 192.805 - Failure of the Company to follow its operator qualification program for the prevention of accidental ignition.

The Company neither admits nor denies these allegations but admits to the Commission's jurisdiction and authority to enter this Order.

As an offer to settle all matters arising from the allegations made against it, the Company represents and undertakes that:

(1) The Company shall pay to the Commonwealth of Virginia the amount of Two Hundred Forty-six Thousand Dollars (\$246,000), of which Seventy-one Thousand Dollars (\$71,000) shall be paid contemporaneously with the entry of this Order. The remaining One Hundred Seventy-five Thousand Dollars (\$175,000) shall be due as outlined in Undertaking Paragraph (5) herein and may be suspended and subsequently vacated, in whole or in part, by the Commission, provided the Company timely takes the actions required by Undertaking Paragraph (2) herein and tenders the requisite certification as required by Undertaking Paragraphs (3) and (4) herein. The initial payment and subsequent payments shall be made by check payable to the Treasurer of Virginia and directed to the attention of the Director, Division of Utility and Railroad Safety, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218-1197.

(2) The Company shall undertake the following remedial actions:

- (a) On or before December 1, 2016, the Company shall review and revise as appropriate its entire operation and maintenance procedures to delineate step-by-step activities, with definite start and end points, which employees must follow in the exact order to correctly perform each task. These procedures must include, at a minimum, the elements in the Virginia Enhanced Operator Qualification task outlines created by the Virginia Gas Operators Association's subject matter experts.
- (b) The Company shall requalify all applicable employees, including contract employees, in accordance with the Virginia Enhanced Operator Qualification Program.
- (c) On or before October 1, 2016, RGC shall complete a gap analysis of its pipeline safety program to API 1173. The results of the gap analysis shall be submitted to the Division.
- (d) On or before January 1, 2017, RGC shall complete an assessment of the Company's "safety culture" through the use of observations, inspections, surveys, and other means. The results of the safety culture assessment shall be submitted to the Division.
- (e) On or before July 1, 2016, the Company shall develop and implement a reporting method to allow RGC employees and the Company's contractor employees to report to the Company any pipeline safety issues. This method shall be acceptable to the Division.
- (f) On or before April 1, 2016, the Company shall develop and implement a field

inspection plan for its inspectors. This plan shall include, at a minimum, the requirement that all inspectors be qualified based on the Virginia Enhanced Operator Qualification Program for each task they inspect and the requirement that each inspection be documented in sufficient detail. The results of the inspections shall be used to enhance the Company's processes, procedures, and training program. The plan shall be acceptable to the Division.

- (g) On or before December 31, 2016, the Company shall use GPS technology to survey its transmission lines and the associated facilities. This information shall be used to improve RGC's operation and maintenance of these lines as required by the Commission's pipeline safety standards.
- (h) The Company has agreed to install a telephone booth in the Cultural and Science building of the Roanoke Museum. The four walls of the booth shall display the C.A.R.E. message. The booth shall be maintained by RGC for a minimum of 10 years.
- (i) On or before May 1, 2016, the Company shall revise its DIMP Plan to address any risks associated with meters that are in direct contact with supporting cement blocks where corrosion may occur.
- (j) On or before April 1, 2016, the Company shall conduct a "Safety Stand Down 2.0" session for its employees and the employees of its contractors.
- (k) On or before May 1, 2016, the Company shall devise a specific plan in conjunction with its DIMP Plan to help reduce excavation damage to its pipelines. This plan shall include, among other things, increased surveillance of long term excavation projects in proximity to RGC's pipelines, in the field training for those engaged in excavation activities in close proximity to the Company's pipelines, improving locating of its facilities in response to excavation tickets, deploying electronic maps of its pipelines to the field for use by its field personnel and locators, and using the output from the Division's risk model to inspect high risk excavation tickets.

(3) On or before July 15, 2016, the Company shall tender to the Clerk of the Commission, with a copy to the Division, an affidavit executed by the president of Roanoke Gas Company certifying that the Company completed the remedial actions set forth in Undertaking Paragraph (2) (e), (f), (i), (j), and (k).

(4) On or before January 15, 2017, the Company shall tender to the Clerk of the Commission, with a copy to the Division, an affidavit executed by the president of Roanoke Gas Company certifying that the Company completed the remedial actions set forth in Undertaking Paragraph (2) (a), (c), (d), and (g).

(5) Upon timely receipt of said affidavits, the Commission may suspend and subsequently vacate up to One Hundred Seventy-five Thousand Dollars (\$175,000) of the amount set forth in Undertaking Paragraph (1) above. Should the Company fail to tender the affidavits required by Undertaking Paragraphs (3) and (4) above, or fail to take the actions required by Undertaking Paragraph (2) above, a payment of One Hundred Seventy-five Thousand Dollars (\$175,000) shall become due and payable, and RGC shall immediately notify the Division of the reasons for the Company's failure to accomplish the actions required by Undertaking Paragraph (2). If upon investigation the Division determines that the reason for said failure justifies a payment lower than One Hundred Seventy-five Thousand Dollars (\$175,000), it may recommend to the Commission a reduction in the amount due. The Commission shall determine the amount due and, upon such determination, the Company shall immediately tender to the Commission said amount.

(6) Although the civil penalty in this Order of Settlement is assessed to RGC, the probable violations can be attributed to both RGC and its contractors; however, the ultimate responsibility for compliance with the Pipeline Safety Standards lies with RGC. The Company shall bear the financial responsibility for this civil penalty. Any part of the civil penalties ordered herein that are recovered from contractors shall be credited to the accounts that were charged with the cost of the work performed.

(7) Any amounts paid in accordance with Undertaking Paragraph (1) of this Order shall not be recovered in the Company's rates. Any such amounts shall be booked in Uniform System of Account No. 426.3. The Company shall verify its booking by filing a copy of the trial balance showing this entry with the Commission's Division of Utility Accounting and Finance.

NOW THE COMMISSION, finding sufficient basis herein for the entry of this Order and in reliance on the Defendant's representations and undertakings set forth above, is of the opinion and finds that the offer of compromise and settlement set forth above should be accepted.

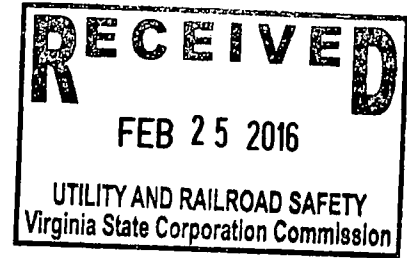
Accordingly, IT IS ORDERED THAT:

- (1) The captioned case shall be docketed and assigned Case No. URS-2015-00632.
- (2) Pursuant to the authority granted to the Commission by § 12.1-15 of the Code of Virginia, the offer of compromise and settlement made by Roanoke Gas Company is hereby accepted.
- (3) Pursuant to § 56-257.2 B of the Code of Virginia, Roanoke Gas Company shall pay the amount of Two Hundred Forty-six Thousand Dollars (\$246,000), which may be suspended and subsequently vacated, in whole or in part, as provided in Undertaking Paragraph (1) of this Order.
- (4) The sum of Seventy-one Thousand Dollars (\$71,000) tendered contemporaneously with the entry of this Order is accepted. The remaining One Hundred Seventy-five Thousand Dollars (\$175,000) shall be due as outlined herein and may be suspended and subsequently vacated, in whole or in part, provided the Company timely undertakes the actions required in Undertaking Paragraph (2) of this Order and files the timely certification of the remedial actions required by Undertaking Paragraphs (3) and (4) of this Order.
- (5) RGC shall credit any part of the civil penalty ordered herein that is recovered from the contractors to the accounts that the work performed was charged.
- (6) The Commission shall retain jurisdiction over this matter for all purposes, and this case shall be continued pending further order of the Commission.

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AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:  
John D'Orazio, President, Roanoke Gas Company, 519 Kimball Avenue, N.E., Post Office  
Box 13007, Roanoke, Virginia 24016; and a copy also shall be delivered to the Commission's  
Office of General Counsel; Office of the Commission Comptroller; and Divisions of Utility and  
Railroad Safety and Utility Accounting and Finance.





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STATE CORPORATION COMMISSION

v.

CASE NO. URS-2015-00632

ROANOKE GAS COMPANY,

Defendant

ADMISSION AND CONSENT

The Defendant, Roanoke Gas Company, admits the jurisdiction of the Commission as to the party and subject matter hereof and, without admitting or denying the allegations made herein by the Division of Utility and Railroad Safety, hereby consents to the form, substance, and entry of the foregoing Order of Settlement. The Defendant acknowledges that the Order of Settlement entered herein is a public record and is subject to review by the public.

The Defendant further states that no offer, tender, threat or promise of any kind has been made by the Commission or by any member, officer, agent or representative thereof in consideration of this Admission and Consent.

Date: 2/19/16

Roanoke Gas Company

By

Title: President & CEO